

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-12 FRB-01 INR-10 IO-14 NEA-10 NSAE-00 ICA-20
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 XMB-04 DOE-15 SOE-02 INT-05 DODE-00
PA-02 /151 W

-----055966 260829Z /17

R 260638Z APR 78
FM AMEMBASSY OSLO
TO SECSTATE WASHDC 5715
INFO AMEMBASSY COPENHAGEN
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM

UNCLAS OSLO 2061

PARIS FOR USOECD

E.O. 11652: N/A
TAGS: ETRD, EFIN, EACR, NO
SUBJECT: NEW AUSTERITY MEASURES ANNOUNCED

REF: OSLO 1732; OSLO 0553

1. OVER THE LAST WEEK, THE GON HAS PUBLISHED ITS LONG AWAITED DECISIONS ON CURTAILMENT OF LONG-TERM PROGRAM AND DOWNWARD REVISION OF 1978 NATIONAL BUDGET. AS REPORTED THE NEW MEASURES HIT EVERYONE BUT THE LOWEST PAID AND THOSE ON PENSION. BY INCREASING SOCIAL SECURITY CONTRIBUTIONS AS OF JULY 1, DISPOSABLE INCOME FOR THE MAJORITY OF WAGE EARNERS WILL BE REDUCED (THIS TAX IS PROGRESSIVELY APPLIED IN NORWAY). LENDING BY BOTH STATE AND COMMERCIAL BANKS IS ALSO TO BE FURTHER CURBED.

2. CONTRARY TO OUR EARLIER UNDERSTANDING, THE CONTROVERSIAL --AND EXPENSIVE--SICH PAY BENEFITS TO BE INTRODUCED ON
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JULY 1, WILL GO FORWARD AS SCHEDULED. HOWEVER, ON SEPTEMBER 1, THE INFAMOUS TAX ON INVESTMENT WILL BE DROPPED. CHANGES IN THE LONG-TERM PROGRAM ECONOMIC OBJECTIVES REFLECT THESE NEW AUSTERITY MEASURES. ANNUAL GNP GROWTH ON AVERAGE, FOR EXAMPLE, IS NOW EXPECTED TO BE NO MORE THAN 2 TO 3 PER CENT (DOWN FROM 5 TO 6 PER CENT) THROUGH 1981.

3. COMMENT: WHEN THE WAGE SETTLEMENT EXPECTED SHORTLY IS CONCLUDED, WE WILL ASSESS THE PROSPECTS FOR SUCCESS OR FAILURE OF GON'S PROGRAM TO RE-ESTABLISH THE COMPETITIVE POSITION OF NORWAY'S PRODUCTS IN INTERNATIONAL MARKETS. AT THIS POINT, HOWEVER, IT LOOKS AS THOUGH FEAR OF UNEMPLOYMENT IS RESULTING IN THE MEASURES BEING LESS RESTRICTIVE THAN MANY FEEL THEY SHOULD BE. IF SO, THE RECOVERY PROCESS MAY TAKE LONGER THAN ANTICIPATED LAST FALL.
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Message Attributes

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